Gerrymandering Decentralization:
Political Selection of Grants-Financed Local Jurisdictions

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Abstract
This paper explores a theory of decentralization as a political choice to respond to growing electoral pressures. In this theory, decentralization to local jurisdictions (such as villages, towns or districts) is a political response to increasing political participation among citizens, both in the form of new interest groups and in the form of swing voters who cannot be easily identified and targeted. Politicians select jurisdiction boundaries, both physical and fiscal, to enable themselves to target pivotal voters to win elections, akin to the phenomenon of gerrymandering districts in electoral politics. Under gerrymandered decentralization, multiple small local jurisdictions would be created, financed almost entirely by grants, and grants and local spending would be allocated to target private benefits to political supporters, at the expense of broad public goods. The paper examines available evidence on the characteristics of decentralization in several large countries that is consistent with this theory. The implications for international development assistance are also explored.
1. Introduction

The theory of the beneficial effects of having multiple local jurisdictions with local tax and expenditure responsibilities is predicated upon these jurisdictions arising naturally as communities with intra-community shared preferences and inter-community heterogeneity (Tiebout, 1956; Oates, 1972). Efficiency and accountability of local governments arise in these models because of inter-jurisdiction competition in attracting residents and winning their vote (Besley and Case, 1995; Weingast, 1995; Breton, 1996). Even in the absence of differences in preferences and mobility of households among jurisdictions, it has been theorized that decentralization may have beneficial effects by increasing efficiency of governments through access to better local information, and by increasing accountability to citizens through greater participation and monitoring at local levels (Bardhan, 2002). These theories have been invoked by the international policy community to support the move towards fiscal and political decentralization in the last decades in countries that were previously centralized. However, there is also concern that some conditions that are needed for efficiency and accountability gains from decentralization might not be pervasive. The one that has received the most attention in the context of developing countries with entrenched social inequalities is the risk of “capture” by local elite of locally controlled own and devolved resources (Bardhan and Mookherjee, 2000). The other is that decentralization might contribute to macroeconomic instability through the softening of budget constraints at local levels (Rodden, 2002).

This paper examines how discrete decentralization by political decision-makers in erstwhile centralized countries can encounter another problem in realizing efficiency and accountability gains: the selection of jurisdiction boundaries, both physical and fiscal (what the jurisdictions are empowered to do), to serve electoral objectives by dividing the electorate into units that are easier to target in exchange for votes. Here, decentralization to local jurisdictions (such as villages, towns or districts) is analyzed as a political response to increasing political participation among citizens, both in the form of new interest groups and in the form of swing voters who cannot be easily identified and targeted. In this theory, decentralization is a political choice akin to gerrymandering districts in electoral politics.
Such political selection of jurisdiction boundaries has specific implications for the characteristics of inter-governmental fiscal relations and local electoral politics. Under gerrymandered decentralization, local governments would not raise own revenues because their expenditures would be financed by national or provincial grants; and grants would be distributed across jurisdictions to win their political support in national/provincial elections. In the local jurisdictions thus created, spending would be clientelist, that is, resources would be allocated disproportionately to programs which target private benefits to political supporters, in exchange for their vote, at the expense of broad public goods. Because of clientelist politics, local elections would be highly contested and volatile, as every citizen would have incentives to attempt to win public office in order to gain access to resources of the state. These implications can be contrasted with those of Tiebout-Oates inspired theories of beneficial inter-jurisdictional competition, where jurisdictions differentiate themselves on the basis of tax rates, size and composition of public spending.

After offering the hypotheses of political selection of jurisdiction boundaries, this paper presents available evidence on the characteristics of decentralization in several large countries that is consistent with these hypotheses. First, in several decentralized countries in Africa, South and East Asia, more than 90 percent of local government expenditures are financed by grants from higher tiers. Whilst some urbanized jurisdictions in these countries do raise significant resources from own revenues, the vast majority of jurisdictions to whom spending has been decentralized do so almost entirely out of grants received from above. Second, studies in a range of countries as diverse as Albania, Brazil, India, Mexico, Peru, the Philippines, Sweden, and the United States, find evidence that higher tiers of governments target grants to local jurisdictions based on electoral characteristics. That is, local jurisdictions matter in serving the political objectives of higher tiers of government.

With regard to the last set of implications summarized above, on the nature of local government electoral politics, there is some available evidence from a range of countries, including Brazil, India, Pakistan, and the Philippines, on the salience of patronage, clientelism, vote-buying, and violence as dominant electoral strategies. However, the author has yet to find studies analyzing systematic data on vote shares of
candidates in local elections to test whether these elections indeed exhibit substantial contestability and volatility.

The theory of gerrymandered decentralization can also be distinguished from those of local elite capture in that the capture of public resources for private benefits need not be restricted to the elite; even poor and traditionally disadvantaged voters may demand private goods from local politicians (such as jobs, subsidies, cash and in-kind transfers) instead of broad public goods (such as good performance in delivering health, education, infrastructure). Lower barriers to entry in local elections might indeed allow candidates from poorer or non-elite households to win office, and subsequently target public benefits to themselves and their supporters, at the expense of public goods for all. Indeed, a country where concern with local elite capture has been most expressed in decentralization policy discussions, India, has instituted political reservations at the village level for members of historically disadvantaged social groups, the constitutionally scheduled castes and tribes. Evidence from India suggests that such political reservations indeed leads to targeting of public benefits to members of the elected local leader’s social group, but that it may come at the expense of broader public goods.

Another view of decentralization held by its advocates is that it arises from and/or leads to increasing demand from citizens for greater community participation in service delivery, and in resource allocation decisions by governments, which improves service quality. Indeed, institutions of decentralization in many countries include specific provisions for broad-based citizen participation in local resource-allocation decisions, such as representation of People’s Organizations in local governments in the Philippines, budget discussions in village-wide meetings called Gram Sabhas in India, and citizen oversight of municipal spending by Comites de Vigilancia in Bolivia. This view has direct implications for local resource allocation processes and outcomes, which can be distinguished from the characteristics of clientelist politics that is predicted by the theory of gerrymandered decentralization. Evidence on the functioning of these participatory bodies created as part of the decentralization process suggests that on average the degree of popular participation is low, despite some celebrated examples of specific jurisdictions where local political leaders encouraged citizen engagement.
There is other work exploring decentralization to local governments as a political strategy, focusing on incentives of national politicians to bypass regional governments that pose a political threat. Dickovick (2007) analyzes decentralization to municipalities in Peru, Brazil and South Africa as a strategy adopted by national politicians to weaken intermediate levels of government. O’Neill (2003) argues that political parties devolve greater resources when support for them is more secure in local than in national elections, citing evidence from Bolivia, Colombia, Ecuador, Peru, and Venezuela. However, these works do not draw the same testable implications for the characteristics of local jurisdictions as are provided in this paper. Finally, there are several descriptions in the literature of decentralization as a political tool to accommodate ethnic or regional conflict within countries, but most of these relate to the creation of larger province-type jurisdictions, with significant local autonomy, and not to the creation of fiscal authority at the level of villages or towns, the tier addressed in this paper (Panizza, 1999).

The theory offered in this paper of the political selection of jurisdiction boundaries also has policy implications for international development assistance. Some technical assistance and lending programs focus on addressing vertical and horizontal fiscal “imbalances”, spring-boarding from the observation that new local governments are not devolved “sufficient” grants to fulfill the expenditure responsibilities assigned to them. This paper suggests that when jurisdiction boundaries are deliberately chosen to keep them grants-dependent for political targeting, focusing policy on increasing grants to existing jurisdictions for greater local spending can exacerbate clientelist political incentives. It can fuel people’s evaluation of local governments on the basis of funding and projects that can be garnered from above, at the expense of inter and intra-jurisdiction competition on the basis of competency to deliver broad public goods with scarce resources. Instead, the political analysis suggests strengthening other strategies that focus on identifying institutional and governance interventions to undercut clientelist incentives and enable voters to mobilize to demand broad public services, or combining these systematically with programs of grants devolution.

The next section provides an analytical framework for the choice of decentralization of public spending to multiple small local jurisdictions, financed by grants, to serve electoral objectives. Section 3 examines some evidence on
decentralization experiences in select countries and regions and argues that it is consistent with the proposed framework of gerrymandered decentralization. Section 4 discusses the implications of the theory for international development assistance and explores the potential of local governance interventions to overcome local clientelist politics. Section 5 concludes.

2. Analytical Framework

There are surprisingly few formal models of the political choice to decentralize powers and resources to lower level jurisdictions.\(^1\) Available models of endogenous decentralization, to the best of the author’s knowledge, are all consistent with the original insight of Oates (1972) that decentralization pressures arise from regional heterogeneity of preferences. Oberholzer-Gee and Strumpf (2002) model state legislative decision-making for decentralization to districts within a state, and obtain as an equilibrium greater likelihood of decentralization in those states where there is greater heterogeneity of preferences across districts (on the policy issue being considered for decentralization, in this case liquor licensing in the USA). Cremer and Palfrey (1996), Lockwood (2004), and Redoano and Scharf (2004) examine the role of decision-making rules, national referenda versus legislative voting, majority and unanimity rules, in the selection of the degree of centralization, with preferences for decentralization distributed regionally.

This section will explore an alternate theory of decentralization by national or provincial politicians to small local jurisdictions such as villages, towns, municipalities, or districts. We begin by characterizing a centralized political and fiscal system as one where national political power is maintained through spending programs that provide targeted benefits to organized interest groups in exchange for their political support. Indeed, a large theoretical literature on the political economy of fiscal policy assumes that every voter can be assigned to an organized interest group which receives group-specific public goods; these groups bargain to extract greater public resources for themselves through their representation in political parties (Persson and Tabellini, 2000, provide a

\(^1\) Most received models pertain to examining whether and how centralized allocation decisions are different from decentralized decisions under various political and economic conditions, with decentralized decision-making assumed in the models as decision-making over a single local public good (Seabright, 1996; Lockwood, 2002; Besley and Coate, 2003)
review). In a recent theoretical advance, Khemani and Wane (2008) explore the ramifications of introducing another class of voters who is “swing”, in that its members are not organized, cannot be provided targeted public goods, and do not owe allegiance to any particular political party. They show that one response of political parties in the presence of these swing voters is to give-up contesting elections as single-party governments and instead come together as a coalition to be able to win elections by providing targeted benefits to each of their core interest groups. Single-party governments, on the other hand, would need to divert resources away from targeted benefits to universal public goods in order to reach the swing voters who cannot be identified and targeted.

This paper extends the intuition in Khemani and Wane (2008) of political incentives to form coalitions to win elections through narrow targeting, when faced with increasing participation of swing voters who are difficult to target. Creating new local jurisdictions is another policy instrument available to political parties and politicians to divide the electorate into smaller groups so that the strength of swing voters is dispersed across jurisdictions, and a minimum winning coalition of jurisdictions can be forged. This minimum winning coalition would consist of those jurisdictions where organized interest groups are dominant and can be targeted by national political parties or politicians.

The immediate question for this logic is why decentralization to new jurisdictions, instead of gerrymandering national electoral districts? The assumption driving decentralization to locally elected governments as the political instrument of choice in this paper’s framework is poor information and high transactions costs at national levels about the identity of new voters. The impetus for decentralization comes with increasing political participation, as new voters mobilize into new interest groups, or become swing voters who are difficult to target and whose vote is uncertain. In our framework, politicians or parties with national stature have little information about how to target or mobilize new interest groups as political participation increases. They also have high transaction costs in appointing local agents to gather such information and implement such targeting. Instituting local elections enables the new interest groups to reveal themselves, and national politicians and parties can then strategically ally themselves
with the emergent leaders to build the minimum coalition needed for national political control.

In order to achieve the revelation of a sufficient number of interest groups for efficient coalition size, and effectively win the support of a minimum coalition, the created local jurisdictions would need to satisfy certain conditions. First, the number of these jurisdictions should be large enough, and average size of each jurisdiction should be small enough, so that it is costly for any one new interest group emerging in a jurisdiction to mount a challenge to the political parties at the center. The number of jurisdictions would also be increasing over time, or average size falling, if the increasing trend in political participation that instigated decentralization continues; as new organized groups or swing voters emerge, further sub-divisions of the electorate would be needed to build minimum winning coalitions at the center.

Second, the new jurisdictions should be dependent upon the national political authorities for fiscal resources, or spending programs, so that national politicians have instruments available to target benefits to jurisdictions in exchange for their political support. Small local jurisdictions would therefore not have incentives to raise revenues locally. Dependency on grants is needed also to punish jurisdictions that oppose national political leaders. Third, and related to grants dependency, there would be significant variation in type and amount of grants to local jurisdictions correlated with variation in local political characteristics. Those that are part of the central winning coalition would be likely to receive more discretionary grants; those that are in the opposition would be likely to receive more tied grants for the spending of which central political agents can claim credit.

This theory of the origins of decentralization, and the resultant characteristics of local jurisdictions, has implications for the nature of local politics within the newly created jurisdictions. First, local politics would center on the distribution of targeted benefits to political supporters, and under-provide broad public goods for universal access. That is, local politics would also be clientelist, just as national politics. Second, contestability in local elections would increase because of lower barriers to entry offered by small jurisdiction size; any local citizen with the ability to make promises of targeted
transfers to a critical coalition of voters could mobilize them to become the new local leader.

These implications can be contrasted with those of traditional decentralization theory based on policy preferences and yardstick competition, and with those of new generation theories of local elite capture. Preference and competition based theories imply considerable devolution of own revenue-raising authority, less dependence on grants for local expenditures, and greater heterogeneity across local jurisdictions in local tax rates and composition of spending. Theories of elite capture imply lower electoral contestability at local levels, as capture stems from greater ability of pre-identified elite to organize to access political power. Barriers to entry into local politics are therefore higher in theories of elite capture.

Another class of theory, that decentralization to local jurisdictions leads to or arises from greater participation by citizens in the delivery of broad public goods directly implies that local service delivery would focus on broad public goods rather than narrowly targeted benefits. As government comes “closer to the people” they have incentives to organize for collective action to improve broad public goods. This implication contrasts directly with the prediction of our theory of gerrymandered decentralization of clientelist political competition at local levels which focuses on narrowly targeted private goods provision.

3. Evidence on characteristics of local jurisdictions

This section provides evidence from several countries around the world of characteristics of local jurisdictions that is consistent with the implications of a theory of gerrymandered decentralization explored above. The purpose here is to show that the proposed theory has empirical or practical relevance, rather than to formally test predictions.\(^2\)

Table 1 provides some data on characteristics of local jurisdictions in selected countries. These countries have been selected on the basis of available reports on the nature of decentralization to local jurisdictions. There is little systematic data available on

\(^2\) Future research may focus on developing the model, formally deriving its predictions, and then testing these rigorously with large sample data.
fiscal characteristics of local jurisdictions such as villages, municipalities, and districts. The main source of comparable cross-country data employed in the literature on sub-national finance is the Government Finance Statistics (GFS) database compiled by the International Monetary Fund (IMF); but although this provides reasonably reliable estimates of finances of states, regions, or provinces, it is widely acknowledged as not reliable for measuring finances of the lower level jurisdictions which are the focus of this paper.

For this paper, we were able to locate detailed reports on local government finances for several large countries spread across four major regions of the world. We find clear evidence from three large countries, India, Indonesia, and Nigeria, where responsibility for public service delivery is being increasingly decentralized to local governments, that such decentralized spending is financed by fiscal grants from higher tiers. The average share of own-source revenue in the total revenues managed by local jurisdictions in these three countries is less than or barely equal to 10 percent. This average in fact masks even higher dependence on grants by the majority of local jurisdictions in these countries. In Nigeria, for example, a detailed survey of local government finances in the rural state of Kogi finds that own revenues are only 1-2 percent of total revenues managed by rural local governments (Khemani, 2006a). In another country included in Table 1, the Philippines, although the average share of own-revenues is 14 percent, the share in the median municipality is 10 percent, and more than a quarter raise less than 5 percent of their total income from local sources.

Municipalities in Peru, the country with the highest share of own revenues among those included in Table 1, have been characterized by some analysts as having no discretion over local rate setting and tax collection, and effectively being fully financed by central grants (Ahmad and Garcia-Escribano, 2006). Even this relatively high share of own revenues, at 27 percent, is comparable to the very lowest of such shares among OECD countries. Ambrosanio and Bordignon (2006) provide statistics on the share of

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3 Some have argued that Peru should not be considered a decentralized country at all. Indeed, prior to 2002 spending by municipalities hardly accounted for a significant share of government spending. However, since 2002, the share of municipal spending has risen to 13 percent and is expected to increase further. For the purposes of this paper, the issue of interest is that even as the country moves towards greater decentralization of spending, it chooses national grants to finance it.
grants in local government revenues in the 20 OECD countries, which shows that only 3 countries had a grants share greater than 55 percent—Ireland at 76 percent, and the Netherlands and UK at 70 percent. This OECD experience shows that even in the face of theoretical arguments in favor of grants financed decentralization, in which taxes can be collected more efficiently at national levels and then distributed to sub-nationals as grants, grants dependence is not in the realm of 80 or 90 percent of local revenues as in the countries listed in Table 1. Within the developing world, countries in the Latin American region appear to have a smaller share of municipal spending financed by grants, but even these are higher than in most OECD countries. In Brazil and Mexico grants constitute 67 and 64 percent of municipal revenues (Burki et al, 1999).

Grants dependence in these countries appears to go hand in hand with small size of local jurisdictions (in terms of population and area), and re-drawing of jurisdiction boundaries or growth in number of jurisdictions over time. Although the average population size of local jurisdictions is higher in Latin America than in Europe, this average appears to be masking large disparities across jurisdictions. Burki et al (1999) find that the vast majority of municipalities in the region have fewer than 15,000 residents. Burki et al (1999) also report shrinking in jurisdiction size, with the number of municipios in Brazil increasing from 3000 to nearly 5000 in the fifteen years following the return to democracy in the country. In Venezuela, they report the number of municipios increasing from 202 to 330 within a decade. In a presidential address in Nigeria in 2003, then President Obasanjo indicated that state governments in the country were in the process of creating more than 500 new local governments, a 65 percent increase over the existing 774 listed in the country’s 1999 Constitution.4

In a review of international evidence on the distribution of grants across jurisdictions, Boex and Martinez-Vazquez (2005) find an inverse relation between jurisdiction size and per-capita grants, that is, smaller jurisdictions tend to receive larger grants per capita across a range of countries. This pattern is consistent with the theory of gerrymandered decentralization offered here, and resonates with recent lessons from field experience. Examples have been provided in the Philippines of re-drawing of boundaries

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4 Google search result on a national broadcast by President Olusegun Obasanjo in Abuja, Nigeria, on June 18, 2003, titled “On the Issue of the Review of the Structure of Governance in Nigeria”.

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of municipalities and barangays (villages), or conversion of barangays into municipalities, to enable local political families to gain access to grants from higher tiers of government. Burki et al (1999) have also observed that demand for the creation of new jurisdictions is driven by the system of intergovernmental grants in many countries. Local requests for new jurisdictions typically have to be passed by the national or provincial legislatures, and the theory of gerrymandered decentralization is consistent with national authorities granting these requests to facilitate the self-identification of new interest groups (as discussed in section 2).

Although in many of the countries discussed thus far, a large chunk of grants distribution across local jurisdictions is determined by criteria set out in national constitutions, or a legal decree governing decentralization, there is evidence of significant political manipulation in targeting grants on the basis of local electoral characteristics. Reviews of international evidence are provided in Boex and Martinez-Vazquez (2005) and Khemani (2006b). Another striking feature in several countries is the provision of specific spending programs to local jurisdictions by higher-tier politicians, separate from and outside of the regular channels of intergovernmental grants. India, the Philippines, and Kenya have recently launched programs that are generally termed “constituency development funds” (CDFs) which allow individual national or state legislators to provide funds for local public infrastructure investment.

Most, if not all, of the literature on inter-governmental fiscal and political relations in the Philippines emphasizes the importance of congressional, gubernatorial, and even presidential pork-barrel projects for city and municipal politics. De Dios (2007) and Rocamora (2008) argue that one of the two main pillars of local political contests in the Philippines is the generation of funds and projects from higher tier governments. In on-going field work in the Philippines, in every municipality visited, respondents describe the importance of political affiliation of local mayors to provincial governors and national congressman in attracting spending programs to their jurisdiction (Khemani and Matsuda, 2008).

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5 Descriptions provided to the author during field visits to municipalities in the Philippines in October 2008. No documentation of such changes has been accessible to date.
6 The other being the control of illegal economic activity such as gambling and smuggling.
Khemi and Matsuda (2008) also find evidence of family-based politics at the level of small municipalities and barangays. Detailed interviews with a range of respondents, from elected officials such as mayors, vice-mayors, and council-members, to technical staff of the LGU, to representatives of NGOs and civil society, provides a clear picture in the study sample that local politics is explicitly treated as an area of “family business”. There is no variation within the sample in the salience of family interests as the driving force of candidates for local public office. Families field candidates from their extended networks to run for a range of publicly-elected offices—not just the chief executive office of mayor, but also of vice-mayor, council-member, barangay captain, and even board member of various municipal and provincial sector boards. Local politicians cite the existence of large family networks as a political asset, enabling them to exert a more stable and continuous hold over public office, and conversely, the lack of such networks as a political liability.

The families that contest positions at local levels are humble in comparison to the “wealthy and well-born” political dynasties that participate in national politics in the Philippines (Coronel et al, 2007). There are several examples from the field-work of this study of families that have held lower-level positions in a municipal government for several years—as barangay captains, municipal council members, and vice-mayors—before winning the chief executive position of mayor. That is, families are willing to “start small” and aim for higher political office within the municipality.

Several respondents, primarily civil society representatives but also some politicians, cite the importance of holding local public office in furthering the economic and business interests of families: by placing public projects to benefit family businesses, by accepting commissions on projects, by providing preferential access to contracts and employment in the LGU to family members, by gaining rents from local illegal economies, and by accessing some discretionary parts of the LGU budget to finance personal household expenditures. Sidel (1999) cites detailed archival research—based on newspaper articles, election records, court documents, and other materials—with numerous examples of small-town mayors who used their office to expropriate rents from local public and economic resources, facilitated by the coercive powers of local police who came under their jurisdiction.
Sidel (1999) contrasts the case of Cavite province where local mayors have had notorious reputations as “mafiosos” or gangster-style “bosses”, with impunity because of the protection offered by powerful higher-level politicians, with that of Cebu province where political dynasties have exercised stable control over local, district and provincial politics through patron-client networks and vote-buying. Under “bossism”, political competition between rival candidates is characterized on the basis of exercising violence and coercive power to expropriate rents through the state machinery. Under “dynastic” rule, political competition is characterized as revolving around the ability to expand private wealth and property, and maintain political machines to gain electoral support.

One of the most important ways in which an equilibrium where local politicians extract substantial rents from office is sustained is through the technology of local elections in the Philippines. Elections are conducted using archaic technologies of hand-written ballots and manual counting which are particularly amenable to fraud and vote-buying. During the course of field work for this study, some politicians provided a detailed description of how vote-buying is a credible and enforceable exchange in the Philippines, with voters providing proof of their vote, in the form of a carbon copy of their hand-written ballot, in exchange for money. In these accounts, vote-buying markets are described as functioning quite efficiently, with different “prices” of votes prevailing at different times near and on election-date.

Indeed, efficient vote-buying markets may be viewed as an improvement over previous accounts of local elections in the Philippines since the 1940s and through the 1990s, which suggest that violence and coercion were the preferred tools of contenders, with incumbent politicians particularly able to succeed in this strategy through their control of the local police (Sidel, 1999). As discussed in the previous section, in those parts of the country where “bossism” prevails, violence and coercion are the implied means of winning elections. In the field-work undertaken for this study there were no clear instances cited of the rampant use of violence or coercion to determine local electoral outcomes. On the other hand, in every jurisdiction visited, and from every kind of respondent the importance of vote-buying in elections was emphasized.
In India, resources are transferred to local governments largely in the form of “schemes” for poverty alleviation, and the primary decentralized local responsibility is that of identifying beneficiaries. Such decentralization has been viewed in the literature as good policy design, in the face of solid evidence of informational advantages of local governments in appropriately identifying the poor or those that have faced particularly negative economic shocks (Alderman, 2002). However, the arguments in this paper imply that such schemes-based decentralization would be deliberately selected by national politicians to enable local political leaders to target pivotal voters, and would lead to clientelist local politics.

Analysis of perverse political incentives at local levels in India has focused overwhelmingly on the risk of “capture” of public resources by local elite for their own benefit, systematically excluding poor and disadvantaged people (Bardhan and Mookherjee, 2000, 2002; Baland and Platteau, 1999). The alternate hypothesis posited here is that even if such specified “elite capture” is not salient, and poor and disadvantaged groups are politically mobilized, their incentives are to demand short-term private benefits from local governments charged with beneficiary selection for poverty alleviation schemes. Indeed, in reviewing received evidence on political participation in developing countries, and contributing new evidence from the state of West Bengal in India, Bardhan et al (2007) conclude that there is little evidence of political marginalization or political exclusion of weaker socio-economic groups. That is, even if social and economic exclusions persist, under universal suffrage and competitive electoral conditions it would appear that the socially marginal cannot be prevented from becoming politically active.7

The existence of historical institutions of social inequality in India makes it a setting from which much evidence has been garnered on relative “capture” by local governments. We review this evidence below to argue that it is equally consistent with political mobilization of disadvantaged groups to demand private goods targeted to members of their “group”, at the expense of broad public goods from which all group members would benefit.

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7 The only groups with low participation identified by Bardhan et al (2007) are immigrants, women, and those with low education, not low caste groups or low income/wealth groups.
Besley et al (2004) focus on analyzing distribution of access to poverty alleviation schemes, a BPL (Below Poverty Line) card, by village governments (panchayats) in India. They find that legally identified disadvantaged groups, households belonging to the scheduled castes and tribes (SC/STs), are more likely to receive a BPL card and/or targeted home improvement schemes (toilets, drinking water, electricity, repairs) when the elected position of head of the village government, the Gram Pradhan, is reserved for members of SC/ST groups.

They also find that a second institutional feature of decentralization in India—the requirement of village-wide meetings, the Gram Sabhas, to deliberate upon allocations of public funds reaching local governments—enables targeting of public benefits to disadvantaged groups. Specifically, they find that if a village is the kind of village that holds a Gram Sabha, then disadvantaged households are more likely to participate in it than are advantaged households, and they are simultaneously more likely to receive BPL cards.

It is important to note that the impact of political reservations and Gram Sabhas is additional to overall targeting of BPL cards to disadvantaged households. That is, in general, in all villages a household that is SC/ST, or landless, or poor along other measurable dimensions, is more likely to receive a BPL card than upper caste or richer households, and they are even more likely to be thus targeted when a village has political reservations and holds Gram Sabhas.

Besley et al (2004) interpret this as evidence of appropriate targeting of disadvantaged groups when political decentralization is accompanied by institutional mechanism (political reservations, Gram Sabhas) to combat entrenched inequalities. However, this evidence is equally consistent with the arguments in this paper that schemes-based or grants-financed local governments would emphasize the delivery of targeted private benefits to citizens. Bardhan et al (2007) contribute recent evidence from the state of West Bengal in India that voters cite short-term private benefits received from their local governments as most important for their voting decision and support of incumbents, as opposed to longer-term policy initiatives taken by incumbents to promote general public goods.
Foster and Rosenzweig (2001) also provide evidence consistent with Bardhan et al.’s argument that voters place greater emphasis in local elections in India on short-term gains from public spending. They focus on 3 categories of public goods which together account for 73 percent of the activities of village governments in their sample in India—roads, irrigation, and schools. They find that villages with democratically elected governments are more likely to provide more of all three public goods, but the largest effect is for irrigation, as calculated at the sample average, which is the service most likely to benefit the rural elite. However, in villages with a very high proportion of landless (much above the sample average) public investment shifts from irrigation to road construction (rather than education, which is unaffected by proportion landless), which suggests that capture by elites can be ameliorated when the numerical strength of the poor increases, but in a manner that might not be the most efficient for extending benefits to the poor. Roads built by village governments primarily benefit the poor, but largely by raising their (short-term) wages, as local road construction and improvement initiatives in India serve as employment programs for the landless poor. Education, which one expects to have the most profound effect on poverty over the medium and long-term, seems least affected by decentralization.

New evidence from India specifically on decentralization of education services further illustrates this point (Banerjee et al, 2007). A central plank of public policy for improving primary education services in India is the participation of Village Education Committees (VECs) which were created in the 1990s, consisting of the head of the elected village government, parents, and public school teachers. In a survey of 280 villages in India’s most populous and educationally challenged state, Uttar Pradesh, in March 2005, at least 10 years after the formal creation of this agency, Banerjee et al (2006) find that parents do not know that a VEC exists, sometimes even when they are supposed to be members of it; VEC members are unaware of even key roles they are empowered to play in education services; public participation in improving education is negligible, and correspondingly, people’s ranking of education on a list of village priorities is low. Large numbers of children in the villages have not acquired basic competency in reading, writing, and arithmetic. Yet, parents, teachers, and VEC members seem not to be fully aware of the scale of the problem, and seem not to have given much
thought to the role of public agencies in improving outcomes. That is, school failures coexist with local apathy to improving it through local public action.

Between September and December 2005, an Indian NGO, Pratham, intervened in 195 of the 280 villages surveyed with different types of information and advocacy campaigns that communicated to village citizens the status of learning among their children, and the potential role that VECs and local governments could play in improving learning. The basic format of the interventions was to organize a village meeting on education, with the attendance of the head of the local village government and the head teacher of the village public school, the key members of the VEC, from whom the village community is urged to ask and receive basic information about local agencies in primary education. The issue raised most frequently in the village meetings, and about which people were most animated, was a government scholarship program intended to provide cash assistance to students from SC/ST groups. SC/ST parents complained that they were not getting these scholarships, whilst teachers complained that parents inappropriately enroll under-age children, that can’t and don’t attend school, just to lay claim to the scholarships. The second issue that attracted attention was a new government mid-day meal program. Actual learning levels attracted the least attention, and the facilitators had a difficult time steering the conversation away from scholarships and school meals to the broader issue of learning.

Follow-up surveys were undertaken in the same 280 villages in March 2006, 3-6 months after the information campaigns were implemented, and the most surprising fact emerging is that the campaigns did not lead to any substantial improvement in citizens’ lack of knowledge of VECs. Less than 10 percent of citizens are aware of the VECs both before and after the interventions. We also find no effect on public school performance. This contrasts with a dramatic increase in private efforts to improve learning of lagging children in response to information provided—local youth volunteered to hold additional classes outside school, parents of illiterate children in particular chose to participate in these classes, and consequently the children made great strides towards literacy. However, we don’t even have anecdotal evidence that these local volunteers were assisted in their efforts by local government structures—neither the village government head, nor the village public school teacher, nor any member of the VEC. Indeed,
according to anecdotes provided by Pratham’s facilitators in the field, the public school teacher and the Pradhan in some villages felt threatened by the volunteer activities and attention drawn to learning failures in public schools.

Varshney (2005) provides another argument for why disadvantaged groups, in particular, would focus largely on the identity of candidates competing in local elections rather than their performance in delivering services such as education, health, and infrastructure. In environments of poor law and order, historically entrenched social inequalities can lead to harassment of “unempowered” households at the hands of local police and law enforcement authorities that typically come from the dominant social groups. In this context, local elections, especially with political reservations, come as a specific opportunity for the unempowered groups to elect “one of their own” to public office, as an insurance against being victimized by the dominant elites. The proximity argument in favor of decentralization, that local elected representatives are “closer” to citizens, is precisely what makes such identity issues particularly important in local elections.

Some evidence in favor of this identity-based argument can be found in research on incentives of individual politicians to exert effort on public service delivery to their constituencies. Keefer and Khemani (2007) examine a CDF in India (mentioned above)—the Member of Parliament Local Area Development Scheme—which entitles every member of the national parliament, elected from single-member constituencies, to substantial resources to spend on local public infrastructure in their districts. They find that entrenched incumbents from districts that are reserved for SC/STs, that is, SC/ST politicians who have been elected for several consecutive terms, spend 14 percentage points less of their entitlement than other politicians. In short, dominant incumbents from reserved districts are not dominant because they exert great effort in providing public infrastructure to their constituencies. Their dominance likely comes from other kinds of identity-based services.

4. Implications for international development assistance

Much of the reforms being pursued by donors in support of decentralization consist of providing greater revenues or transfers, and building capacity of local
governments through training in technical issues such as public financial management. Our arguments suggest that these reforms on their own are unlikely to be successful. Greater funds devolved to local governments are more likely to go towards clientelist transfers rather than improvement of public goods. Capacity building can be a waste when local politicians have no incentives to develop technocratic skills for better service delivery.

One of the governance strategies being pursued in international development assistance to improve the impact of decentralization is termed community-driven development (CDD) in which communities are mobilized to identify their preferred projects and to participate in their implementation. The hypothesized governance impact of this strategy is greater social cohesion, and enhanced ability of citizens to demand and receive better public goods performance from their governments. Another is conditional cash transfers (CCT) where households are mandated to access public health and/or education services in order to receive cash transfers. The governance impact of this strategy is hypothesized to be an increase in citizen demand for public health and education services which in turn strengthens political incentives to improve the quality of these broad public goods. Although there are several evaluations planned, underway, or completed, on the impact of CDD and CCT programs on their directly targeted outcomes, such as project quality and beneficiary household-level welfare outcomes, none are designed sufficiently rigorously to assess their impact on governance or local political incentives (to the best of the author’s knowledge). This is a serious gap in the policy research literature that should be addressed.

Another governance intervention which has not been widely experimented with, that may be used in concert with CDD and CCT interventions or alone, is to promote yardstick competition on service delivery performance by regularly and systematically providing independent, credible, and objective information to citizens and public officials about relative performance across jurisdictions. Part of the problem of clientelist local

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8 Labonne and Chase (2008) make an attempt to assess impact of a CDD project on local governance in the Philippines, but do not have useful governance outcome variables. The variable on which they do find impact—number of village meetings organized by local officials, and household participation in these meetings—is a requirement for a village to access the CDD project, and hence automatically expected to be higher in CDD villages because of the nature of program implementation.
politics might be lack of independent data and expert analysis available to civil society to judge relative performance across local jurisdictions. New empirical methodologies can be used to fill this gap by measuring service delivery outcomes that are representative at the level of local jurisdictions in feasible and cost effective ways. Once measured, the outcomes can be compiled as “municipal report cards” and disseminated to promote yardstick competition over performance improvements.

Brazil provides some examples of successful experiences with this type of governance intervention. Tendler (1997) describes how the politics of patronage in municipal governments in the state of Ceara in Brazil was tackled head-on through massive information campaigns by a state government that took office in 1987. The state government flooded radio airwaves with messages about how infant and child mortality could be drastically reduced through particular programs of municipal governments, thus bringing political pressure to bear upon the mayors to actually deliver basic health services. The state also created a new class of public health workers through a publicized recruitment effort that conveyed information to communities about the valuable role the workers could play in improving public health through community-wide effort. In only a few years coverage of measles and polio vaccination in Ceara tripled to 90 percent of the child population, and infant deaths fell from 102 to 65 per thousand births. The campaigns’ success has been attributed to bringing a remarkable turnaround in the politics of the state—from clientelist and patronage-based to service-oriented (Tendler, 1997).

More recently, Brazil has been the source of another innovative experiment in reducing local political rent-seeking by generating and providing credible information to citizens. In May 2003 the national government of Brazil launched an anti-corruption program based on the random auditing of municipal government expenditures by an independent public agency, and then publicly releasing audit findings on the internet and to media sources.9 New evidence from more than 600 municipalities covered by the audit suggests that the disclosure of information significantly and substantially reduced the re-

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9 In Portuguese, this program is called Programa de Fiscaliza, e ào a partir de Sorteios Púlicos, details of which is available from the following website: www.presidencia.gov.br/cgu.
election rates of mayors who were found to be corrupt (Ferraz and Finan, 2006). Furthermore, this impact was significantly more pronounced in municipalities with greater access to radio stations.

5. Conclusion

This paper has examined a theory of decentralization as a political choice of national or provincial leaders to address growing electoral participation by new voters, which leads to the formation of new interest groups or gives strength to the numbers of swing voters who cannot be easily targeted. It builds upon a recent theoretical contribution which has shown that one political response to increasing participation by swing voters is the formation of coalition governments as opposed to single-party rule, because the coalition can win elections more cheaply by providing targeted benefits to its core supporters. This paper extends the logic to the creation of new local jurisdictions to enable new interest groups to identify themselves, and to disperse the strength of swing voters. Decentralization to new local jurisdictions enables national and/or provincial politicians to target public benefits to pivotal voters in order to gain or remain in public office.

This theory has implications for the fiscal and political characteristics of local jurisdictions. The paper provides examples from several large countries of the world of decentralization to small local jurisdictions, financed almost entirely by grants or spending programs received from higher tiers of government, as evidence of the empirical relevance of its theory. It also reviews evidence of the importance of clientelism in local politics, in these same countries where grants finance small local jurisdictions, which further supports the hypotheses implied by a theory of gerrymandered decentralization.
References


### Table 1:
Local Government Characteristics in Selected Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Local Jurisdictions</th>
<th>Share of Local Own-Revenues in Total Revenues</th>
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<tbody>
<tr>
<td>India</td>
<td>~500 districts, ~6000 blocks, &gt;230,000 villages (Rural Local Bodies)</td>
<td>3.7%&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Indonesia</td>
<td>440 Districts and Cities</td>
<td>8.8%&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Nigeria</td>
<td>&gt;770 Local Government Authorities</td>
<td>10%&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>Peru</td>
<td>~1700 district municipalities</td>
<td>27%&lt;sup&gt;d&lt;/sup&gt;</td>
</tr>
<tr>
<td>The Philippines</td>
<td>~1500 municipalities</td>
<td>14%&lt;sup&gt;e&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>a</sup> Source: Choudhuri (2006)
<sup>b</sup> Source: World Bank (2008)
<sup>c</sup> Source: Author’s own calculations from data provided by Central Bank of Nigeria, 1999
<sup>d</sup> Source: World Bank (2003), excluding the municipal area of the capital city Lima
<sup>e</sup> Source: Author’s own calculations for municipalities from data provided by the Bureau of Local Government Finances, 2001-2005